in public or private hospitals where they may receive proper medical attention.

Children under 12 and 14 years of age may not be committed to common jails or police stations, but proper places of detention and confinement must be provided. Arkansas and North Dakota created a Board of Visitation, composed of 6 reputable men and women, appointed by the juvenile judge, who serve without pay and are required to visit all child-receiving institutions at least once annually. In Arkansas, the parents of delinquent children, if financially able, are required to contribute to their support. In Florida, when the juvenile offender is less than 16 years of age, sentence may in certain cases be suspended or withheld. (Laws of 1911: Arkansas, p. 166; Florida, p. 181; North Daktoa, p. 266.)

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Life Insurance Legislation of 1911. Laws enacted by the several states in 1911 brought the total number of statutory requirements affecting the institution of life insurance and its holders of thirty million policies up to about forty-five hundred. This figure does not include the requirements affecting domestic companies solely; with the exception of New York state. Were those to be added, the number would be much larger. Domestic laws should be considered in any general review of life insurance legislation, but there is no compilation of them, as it is not needed for practical purposes. No one company is subject to all the laws governing domestic and foreign companies. in all states. But there are several which have to adjust themselves to the laws governing foreign companies in practically all the states, in addition to the domestic companies' laws of their respective home states. Therefore, there are some companies—the larger ones—which operate under nearly all the forty-five hundred requirements referred to. This gives one view of the present magnitude of the supervision of the business of life insurance by the states, in its practical application.

As to the character of these requirements, they range from broad principles of supervision to regulation of minute business details. In other words, some states believe that while the managers should be held responsible for the operation of their companies their judgment should not be restricted by a multitude of legal enactments. Other states, besides holding the managers responsible, also provide in detail as to how they shall perform various parts of their managerial

functions. Laws dealing specifically with the business of life insurance might be classified under the following broad groupings:

Regulating the administrative functions of the companies, including election of directors and officers, apportionment and limitation of expenses, compensation to agents, investment of capital stock and assets, maintenance of reserves, distribution of surplus to policyholders, keeping of records and accounts, provision for medical examinations, preparation and filing of reports, including annual statement, etc.

Pertaining to the rights of the insured, including provisions that guarantee their use of the reserve accumulations on their policies in event of lapse or surrender; loans on their policies; phraseology that makes the policy clear and not susceptible of misrepresentation, etc.

Dealing with the conduct and ethics of the business, including prohibition of rebating by agents, and use of misleading statements or incomplete comparisons tending to induce policyholders to lapse, forfeit or surrender their insurance.

Regulation of companies in their organization stage, including various provisions designed to prevent deception in promotion and sale of stock to the public.

Taxation and fees.

Functions and powers of state Insurance Departments, including valuation of policies, examinations of companies and determining solvency of same, licensing of companies and agents, filing of various reports made by companies, collection of taxes and fees, enforcement of laws and penalties, etc.

In addition to these groupings of laws specifically applying to life insurance there are many other statutes of general effect which concern the business, including regulations with respect to investments generally and their taxation; corporation laws requiring annual and special reports to be made to state officials, in addition to those furnished to the insurance supervision authorities; acts relative to corrupt practices and registration of legislative counsel, and anti-trust legislation so broadly drawn as to require reports and statements from life insurance companies.

While in theory all laws dealing with life insurance are supposed to be based primarily on the idea of protecting the interests of policyholders, as a matter of fact they are really approached from various viewpoints. Undoubtedly most of the legislation dealing with the administrative functions of the company, policy provisions, the conduct of the business and departmental supervision is approached from

what is regarded as the viewpoint of the policyholder. However, the same cannot be said of the various statutes imposing varying rates of taxation upon policyholders' funds, for the twelve million dollars thus annually collected is exacted chiefly as a revenue proposition for the benefit of the public generally. This sum is many times more than the cost of insurance supervision. A calculation made on the basis of 1907 statistics shows that the ratio of expenses of state insurance departments, including the supervision of life, fire and all other branches to the amount of life insurance taxes collected ranged from 2.6 per cent to 20.2 per cent, with the exception of a single state which collected no taxes. The state whose ratio was 2.6 per cent collected more than one and one half million dollars in life insurance taxes in 1907, while the cost of its insurance department that year was little more than $40,000.

One phase concerning the supervision of the life insurance business, which is lost sight of by legislators, as a rule, is that the policyholder is inseparable from the company. A burdensome restriction placed upon the business is placed upon the policyholders. A company is merely a collection of policyholders. It is, of course, most desirable that the interests of policyholders should be thoroughly protected by legal enactments. But life insurance is a highly technical business and efforts to legislate on the subject without deliberation and study as to the effect on the whole fabric are likely to result in burdensome restrictions entailing much expense to policyholders without any benefit to them.

Any expense that is added to the business increases the cost of insurance and therefore falls upon present or future policyholders. Not only is this true of the taxes and fees imposed, but also of the expenses caused by the diversity of statutory provisions in the states. If a general policy form which applies to most states has to be amended and specially printed for a certain state, that additional expense is borne by the policyholders. So is it also with respect to special forms of voluminous statements that may be required by some states. The preparation of a special report by a large company for one state recently involved the exclusive use of a band of clerks for several months. The present lack of uniformity among statutory requirements largely adds to the cost of insurance in many ways. At the home offices of all companies of considerable size there are various officials whose duties largely consist of keeping track of the statutory requirements in the different states and seeing that their companies conform to all of

them. This is expensive, but it would be still more expensive to violate any of these provisions, even innocently.

The year 1911 saw no diminution in the tendency to propose and enact legislation on the subject of life insurance. All told about 1650 bills were introduced in the legislatures of 43 states, including the District of Columbia, where some insurance bills were introduced in Congress. Of these 1650 bills 160 became laws. They ranged from one brief statute, requiring that notice shall be given to policyholders in connection with the merger of one insurance company with another, to a comprehensive code of 238 sections involving all branches of insurance.

New codes were enacted in Washington, Pennsylvania and Idaho. The Washington code is in line with advanced thought on the subject of regulation of insurance, and with respect to domestic companies particularly, it goes into much more minute detail than the laws of other states. As to foreign companies, its provisions in the main may be said to be in harmony with the laws of other states. It leads the laws of practically all of the states in one particular. This is the provision directing that the expenses of every examination or other investigation of the affairs of any insurance company made by the Commissioner shall be paid by the state. All the states impose various fees for performing certain duties, such as filing reports and other papers and also tax the companies heavily for revenue purposes, yet practically all make a special charge against the companies for the expense of examinations. The Washington innovation is in the interest of good government, for it removes any possible incentive for unnecessary examinations, yet provides for them if needed. The National Convention of Insurance Commissioners, the organization of the state insurance supervisors, from which much good has come in the matter of uniformity of practice and in otherwise advancing the standard of supervision, has taken a commendable attitude in the matter of examinations. At its 1910 session it adopted a resolution that no examinations should be made by any member of the Convention, of a company outside of its home state, without first requesting the Committee on Examinations of the Convention to co-operate. Action like this tends to discourage a practice of some officials in the past to make expensive trips to the home offices of distant foreign companies to make so-called examinations, irrespective of the fact that those companies may have been thoroughly examined within a short time by the insurance supervisor of their home state.

The Idaho code, which was not enacted with the usual deliberation which should attach to such important measures, contains some technical requirements that are unnecessary so far as the interest of policyholders is concerned and which are burdensome and expensive for companies to carry out. One of these is a provision that cash, paid up and extended insurance options available under the policy each year, upon default in premium payments, shall be shown in each policy by tables covering the full length of the premium paying period which technically is up to age ninety-six. The general practice is merely to figure in advance the value of such options for twenty years, which is more than the average length of a policy.

In Pennsylvania a fair and reasonable code was enacted, after much thought and study on the part of the Insurance Department. It revises existing laws so as to bring them up to modern requirements, and enlarges the department. It protects the interests of policyholders, and does not impose harsh or burdensome restrictions on the operation of the business. Like the Washington and Idaho codes, it includes a provision to protect the citizens of the state from the operations of unscrupulous promoters of new life insurance companies.

The funds of life insurance policyholders are ever a prey to the taxing authorities. As usual, 1911 had a large crop of taxation bills. Sixty-five of them applied to the business of life insurance and most of them provided for increased taxes. Had all the bills been enacted $900,000 a year would have been added to the $12,000,000 annual tax already imposed on premiums paid by life insurance policyholders. Earnest efforts, participated in by the policyholders themselves in some instances, showed the injustice of these measures, and the end of the year recorded increases in only a couple of Western states and they were slight ones. In Montana, where there is a heavy state tax on life insurance premiums, a law was enacted relieving life insurance from county taxation. In Alabama, where there is also a high tax on such premiums, a statute was passed reducing the amount of taxes that municipalities may impose. A material increase was enacted in California, but this was in conformance with a constitutional amendment adopted in 1910 and therefore, probably should not be considered in the legislation of 1911.

Laws dealing with the organization and powers of Insurance Departments but not taking the comprehensive form of codes were enacted in fourteen states. In Wisconsin, for instance, the Commissioner was given authority to require from any insurance company a deposit in

advance of such an amount as he shall estimate would be necessary for the expense of an examination. Another law enacted in Wisconsin provides that except as specifically authorized by statute, no officer or employe of the state shall directly or indirectly, receive or accept any sum of money, or anything of value, for the furnishing of any information, or performance of any service whatever relating in any manner to his duties. In Alabama it was enacted that the examination of domestic companies shall be each year instead of every two years. Michigan provided that the Commissioner shall not retain as perquisites any fees or other moneys received by him directly or indirectly for the performance of duties connected with this office.

In all, eleven states enacted laws to restrict the operations of promoters of new life insurance companies. Washington, Idaho and Pennsylvania did this in their new codes already referred to. The eight other states enacting laws on this subject were Connecticut, Massachusetts, Michigan, Missouri, Montana, Oregon, Wisconsin and California. These laws were placed on the statute books in response to a demand both from the public generally and life insurance interests to meet an evil that has developed within the last four years or so. The National Convention of Insurance Commissioners at Denver, Col., on August 26, 1909, adopted a resolution urging the various states to pass laws to regulate the matter. Organized bands of promoters have been going through the country forming life insurance companies and selling the stock in many instances through misleading statements as to profits that would be made. Usually these operators are not insurance men but merely stock promoters. They retain large percentages of the amounts paid for the stock, under the guise of expenses, and after the game has been worked in one locality they depart for other fields to do the same thing over again. A group of persons in the community thus find on their hands the form of a life insurance company with various obligations to stockholders and, possibly, policyholders, and without the necessary knowledge, experience or perhaps the additional means, to make the business successful. This situation has already brought about many failures of such companies, and the result has been to reflect discredit in the minds of the public upon the business of life insurance as a whole, although the business has not been in any way responsible for the actions of these stock sellers. The laws enacted to meet this evil generally follow the principle of giving the Insurance Commissioner or Superintendent jurisdiction over insurance companies in their formation as well as

after they are organized. The statute enacted by New York state in 1910 has been the one used most as a model by the states passing such laws in 1911. It provides that the Insurance Superintendent shall, as often as he deems it expedient, examine into the affairs of such companies and make a report thereon, which report shall be presumptive evidence in any action or proceeding against the corporation, its officers or agents. The Superintendent is also authorized to publish the report in one or more newspapers. Connecticut, Idaho, Montana and Oregon enacted the New York Law of 1910, using practically the same phraseology, while Missouri enacted it with additional provisions one of which makes it unlawful to pay more than 10 per cent of the total amount realized from the sale of capital stock for organization purposes. The statutes passed by Pennsylvania and Michigan make use of the New York Law in part. Wisconsin's law limits the promotion or organization expenses to ten per cent of the amount actually paid on subscriptions for the stock. The statute passed by California limits organization and promotion expenses of domestic insurance companies to 15 per cent of the total amount actually paid on capital stock, exclusive of surplus.

Several states in 1911 followed the lead taken by New York in 1909 in authorizing the insurance supervising authorities to take proceedings in court for the liquidation of a delinquent insurance corporation, including a company which has by contract of re-insurance or otherwise, transferred its business to another corporation, without having first obtained the written approval of the state supervisory official. Connecticut, Michigan, Pennsylvania, Washington and Wisconsin enacted statutes using not only the form of the New York Law, but, in most instances, its phraseology practically verbatim. The New York Law itself was amended during 1911 by applying its provisions to corporations in process of organization as well as those already organized. The effect of this is to give the state supervisor of insurance additional authority over companies in process of promotion.

The investing of policyholders' money so as to guarantee that it will bring in sufficient return to pay policies on maturity is a very important part of the business of life insurance. Many of the states have recognized the sacredness of these funds by providing that they shall be invested only in certain general classifications of securities regarded as safe. Some laws specifically state the classes of securities in which investments may be made. Others enumerate the classes which are prohibited, including, for instance, the stock of mining

corporations. The investments of life insurance companies are made up largely of United States, state, county and municipal bonds, the bonds and stocks of public utilities corporations and real estate mortgage loans. During 1911 measures were introduced in four states to restrict the investments of foreign insurance companies geographically, along the lines of the Robertson Law of Texas. Fortunately, for the interests of policy holders, none of these bills became laws. When the Robertson Law was enacted by Texas in 1907, twenty-three—nearly all—of the leading foreign life insurance companies doing business in the state retired. This law requires that seventy-five per cent of the reserves set aside to meet obligations to Texas policyholders shall be invested in certain specified local securities. The avowed object of the law was to compel foreign companies to make investments in Texas. This man-made statute utterly ignores the natural law of supply and demand affecting the flow of investments. It also takes from the managers and trustees of life insurance funds the right of exercising their judgment as to investments although it does not relieve these managers and trustees from being responsible if the compulsory investments should prevent their companies from meeting the test of solvency. Two elements enter into the making of investments for life insurance companies. First, the security must be absolutely beyond question. Second, the investment must earn a rate of interest to add sufficient to the reserve funds to pay policies upon maturity. The Texas law takes no heed of these conditions but merely says to foreign companies that if they wish to do business in the state they must invest in certain specified Texas securities. The companies which retired had no objection to Texas securities as such. But they were opposed to the underlying principle of the law that took from them the right to judge and decide as to availability of securities for policyholders' funds. Beginning with 1907 the subject of such compulsory investment has been considered in 24 states, either in the form of legislation actually introduced or talked of seriously among state officials. In only one state, Texas, has the legislation been enacted into law. The states in which it was introduced in 1911 were Montana, Missouri, North Dakota and Oklahoma.

Indiana enacted a law adding county highway bonds to the securities in which domestic insurance companies may invest. A law passed in Montana adds bonds issued by legislative authority secured by land grants and the bonds or warrants of any school district, county or city in the state.

State authorities are joining with the trustees of life insurance funds in seeking to give more stability and permanency to life insurance policies. The lapsing of life insurance means loss of protection to widows and orphans, which deficiency the state or its political subdivisions are often called upon to supply. One of the several causes of lapsing is what is called "twisting" in the insurance vernacular. This means the act of getting a man to give up his insurance with one company and taking it out in another. As such a transfer always involves the payment of a second commission it means more expense, while the practice itself has a tendency to unsettle the business. It is a practice deprecated by all reputable companies and agents alike and various states have passed laws to discourage it. The New York law on this subject, enacted in 1908, prohibited the making of any misrepresentations to any insured person for the purpose of inducing, or tending to induce such person to lapse, forfeit or surrender his insurance. This was strengthened in 1911 by an amendment prohibiting the making of any misleading representations or any incomplete comparisons of policies for such a purpose. Michigan and Ohio in 1911 enacted the New York Law with this amendment, and Pennsylvania placed in its code a section along the same lines. Rhode Island enacted a provision similar to the old form of the New York Law.

Another evil of the business, which, however, has become less of late years is that of rebating part of the premiums to policyholders by agents. Many of the states have had laws on this subject for sometime but the difficulty has been to get legislation that is effective. The high-minded attitude taken by agents within the business themselves is responsible for a great deal of the reform along this line of recent years. Idaho, Ohio, Rhode Island and Wisconsin amended their statutes on this subject in 1911 by making it a violation of law to receive a rebate as well as to give one. In this connection the Idaho, Ohio and Rhode Island enactments provide that no person shall be excused from testifying before a court or magistrate as to violations upon the ground that the testimony or evidence required may tend to incriminate him, adding the provision needed to make it constitutional that no person shall be prosecuted for or on account of any transaction concerning which he may so testify. Wisconsin also added a provision to its anti-rebate law to the effect that the insured, having knowingly and wilfully violated this statute, shall be entitled to recover from the company only such proportion of the amount otherwise payable under the policy as the difference between the

amount of the premiums which have become payable and the rebate would have provided for.

Ohio, Pennsylvania, Rhode Island, New York and New Jersey enacted laws tending to decrease the cost of industrial life insurance. These enactments amended existing anti-rebate laws by providing that where industrial insurance premiums are paid directly to the home or district offices of companies, a return of part of the premium may be made to the policyholders. One of the big expenses of industrial life insurance is the weekly collection at policyholders' homes by agents. This law will permit a lower rate of insurance for groups of policyholders, as, for instance, in the factory where all the workmen may become insured, and their premiums forwarded in one amount by the employer to the insurance company.

A trial of state insurance is to be made under a law enacted by Wisconsin. The statute provides that existing officials, including the Insurance Commissioner, shall operate a life insurance business for the benefit of the residents of the state. This is an experiment which will be watched with much interest. The theory back of the law is that the state can provide insurance cheaper than companies, because it will have no agency force to solicit business, and because being a state institution, it will have additional prestige. Some companies at various times during the history of life insurance have tried to do business without agents, but the general experience in the past has proved that the people do not take life insurance unless they are educated to do so through personal interviews. One of the arguments against state insurance is that it will be subject to the vicissitudes of changing politics, including a lack of continuous expert supervision and management. The Wisconsin Law provides that the life fund to be administered by the state shall be without liability on the part of the state beyond the amount of the fund paid in by the policyholders. Policies are issuable only to residents of the state and not in excess of $3,000 on any life or of $300 a year from age sixty on any annuity risk. Insurance in the state fund is optional, not compulsory.

Various other laws affecting life insurance were enacted in 1911, most of which have a place in one or more of the following classifications: False advertisements, annual statements to be made by companies, insurance of minors, regulation of agents, policy provisions, deposits of funds with state authorities, claims, fees for various duties performed by state officials, extension of powers of insurance depart-

ments, restrictions as to capital stock, mergers of insurance companies and reinsurance, and exemption of real estate mortgage loans from taxation.

ROBT. LYNN COX.

Medical Milk Commissions. State laws, local ordinances and private enterprises of the past few years bear witness to the practical interest that has been aroused on the question of pure milk, to the ends that only milk from healthy cattle be sold, that it be both produced in, and distributed from sanitary surroundings, that it be of a high standard and that the processes of pasteurization, evaporation and condensation of milk as well as of the making of butter, cheese etc. are safe-guarded for the public good. The latest departure and a perfectly logical one, in this on-rush of milk legislation, comes simultaneously from Massachusetts and Michigan, in the form of laws, passed in 1911, authorizing the incorporation of medical milk commissions in cities and towns. The purpose as stated in the Massachusetts law is "to supervise the production of milk intended for sick room purposes, infant feeding, use in hospitals and other cases." The Michigan law, in giving its object, reads slightly differently,—"for the purpose of supervising the production, transportation and delivery of milk which it is intended to use for infant feeding, sick room, clinical purposes." In Massachusetts the medical milk commissions of which there may be more than one organized in a city or town, may be incorporated under this law, by five physicians duly authorized to practice medicine in the state. Also, the members of the city or town board of health are ex-officio members of the commission. In Michigan the city or town health board must have in its membership two or more duly authorized physicians, to empower it to appoint a medical milk commission consisting of five physicians. Otherwise the members are named by the state board of health, the secretary of which as well as the local health officer are ex-officio members of the commission. Only one such commission may exist in a community. The term of office for the members is, in Michigan, for five years, the term of one member expiring each year, while the members hold office, in Massachusetts, seemingly for an indefinite period. In Michigan a member may be removed at any time by the board to which he owed his appointment and in both states, any member accepting salary, compensation or emolument of any kind, is liable to fine, removal from office, and disqualification from any future holding of office in a